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THE TRUE VALUE OF CREATIVE INDUSTRIES DIGITAL EXPORTS
ABOUT THE CONTRIBUTORS AND SPONSORS

Centre for Economics and Business Research

The Centre for Economics and Business Research (Cebr) is one of the UK’s leading economics consultancies. For 20 years Cebr has supplied independent economic forecasting and analysis to hundreds of private firms and public organisations.

Creative Industries Council

The Creative Industries Council is a joint forum between the creative industries and government. Set up to be a voice for creative industries, the council focuses on areas where there are barriers to growth facing the sector, such as access to finance, skills, export markets, regulation, intellectual property (IP) and infrastructure. Council members are leading figureheads drawn from across the creative and digital industries including TV, computer games, fashion, music, arts, publishing and film. The website, www.thecreativeindustries.co.uk, fulfils the CIC’s role to promote the UK creative industries both in the UK and to the rest of the world.

Creative Industries Federation

The Creative Industries Federation is the national organisation for the UK’s creative industries, cultural education and arts, providing an authoritative voice in a way never done before. We are entirely independent. Our revenues – and our strength – come from more than 1,000 companies, organisations, institutions and individual practitioners, working in every part of the creative industries - commercial and publicly-supported - as well as in the education system that supports them all. We work with our members in towns, cities and the rural economy, nationwide.
The UK’s creative industries are at the forefront of trade in digital services. From the sale of a British-made video game, accessible on a mobile device, to an online advert aired in other countries, our creative digital exports are wide-ranging in their scope and global reach.

Currently, official figures may not fully capture the financial value of creative digital exports. This has implications for making informed policy decisions and on how best to provide support in order to grow UK trade.

The Centre for Economics and Business Research (Cebr) has estimated official export figures for the creative industries, based on data from the Department for Digital, Culture, Media and Sport (DCMS). Creative industries:

- Export £37bn in goods and services
- Export £22bn in services
- Export £15bn in digital services – Almost two-thirds of total creative services exports.

However, these figures do not capture ‘hard to measure’ trade flows, such as content viewed through YouTube or accessed globally on online newspapers and publications.

This research, undertaken by Cebr and the Creative Industries Federation, sponsored by the Creative Industries Council (CIC) and supported by the Department for International Trade, aims to capture these trade flows to calculate the wider financial value of creative digital exports. With special thanks to the active participation of all the creative businesses and members of the Federation and CIC that contributed.

Creative exports are the UK’s ‘calling card to the world’. From BBC’s Blue Planet to the Tom Clancy video game series, British creative exports are an expression of our culture and values, and are recognised across the globe.

The digital age has opened up new opportunities for the creative industries to reach global audiences, through platforms such as Amazon Appstore, Google Play, YouTube, Facebook and Steam. The UK’s creative businesses and entrepreneurs are leading the way in digital innovation and utilising new technologies, from virtual and augmented reality to big data and cloud computing.

This is the future of trade. This research should act as a guide on the true value of the UK’s creative digital exports, to highlight the challenges of measuring them, and to demonstrate the understatement in official figures.

An “export” is a good or service sold by a resident of one country to a foreign resident, be it an individual or firm.

The main findings are:

- The UK’s creative industries export £46bn in goods and services – 24% higher than the official figure
- £31bn of total creative exports are services – 41% higher than the official figure
- £21bn of these creative services are digital services – 40% higher than the official figure
- Creative digital services represents 68% of total creative services exports

1 DCMS figures on exports of goods are experimental and they are currently exploring how to enhance their own statistics to fully capture these exports.
Cebr’s estimated official figures for 2016 highlight that the majority of creative industries sub-sectors are exporting digital services. The IT, software and computer services sector, for example, exports £8.95bn in digital services. However, according to these figures, the crafts and museums, galleries and libraries sectors’ digital services exports are zero – which we know is not the case.

For some time, the creative industries have been making the case that these figures may not fully capture their digital services exports. Many UK YouTube channels, for example, are watched by millions of viewers across the world. It is through these types of platforms that the creative industries export audiovisual content, music, and tutorials. Such platforms and the content they offer, however, may not be registered as a service export. This is due to difficulties capturing data for business models such as those offering free content and based on advertising revenues.

There are also structural challenges with collecting data on such exports. Often, it is difficult for digital intermediaries to determine the point of sale and purchase. The borderless way in which many global firms operate presents additional complications and the origin of the creative content, and of those who consume it, is frequently hard to track.

For example, it would be highly inefficient for a UK app developer to pitch to Amazon USA in order to sell through the Amazon Appstore. It makes more sense to go to the European Amazon subsidiary. In such cases, even though the app may be bought online anywhere in the world, it is not clear whether the transaction between the developer and buyer is registered as a domestic sale or as a service export.

In the context of a highly globalised, fast growing technological landscape, we cannot overlook these digital exports. We live in an era where the methods we currently use to trace trade flows are losing their relevance and ability to depict an accurate picture of trading realities.

**Why Are Digital Exports Hard to Measure?**

This research analyses DCMS recognised sub-sectors:

- Advertising and marketing
- Architecture
- Crafts
- Design and designer fashion
- Film, TV, video, radio and photography
- IT, software and computer services
- Publishing
- Museums, galleries and libraries
- Music, performing and visual arts

In time, our recommendation is to expand these sub-sectors to take into account the whole value chain from manufacture to retail/distribution. This should also include sub-sectors such as animation, visual effects, heritage and video games, which are not explicitly mentioned in the DCMS definition of the creative industries.

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Dr Jo Twist OBE, CEO, Ukie

“The UK’s games businesses are natural exporters, selling world class interactive entertainment to a digitally connected, global market at the click of a button. With an ever growing audience that is already in excess of 2 billion people playing games in counties all round the world, and British businesses pushing the boundaries of technology and creativity to create ever more exciting content, the opportunities for the UK games sector to further grow its share of exports are huge.”
This research aims to capture these ‘hard to measure’ trade flows and highlight:

- The true value of creative industries digital exports and their contribution to the UK economy
- A sector-by-sector breakdown of digital services exports

For this research, Cebr have used a combination of survey results, interviews and DCMS data. In addition, they tested a second methodology that resulted in greater numbers of digital exports for some sub-sectors such as publishing, whilst for others it recorded lower figures.\(^3\)

Next you will find the main figures from this research.

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\(^3\) Using this second methodology, Cebr estimated that music exports could well reach £1.67bn and publishing exports could well reach £2.09bn. You can find the results of the second methodology for all sectors [here](#).
Creative Industries Digital Services: How Much Do They Really Export?

Cebr estimated official figures  Cebr new figures for digital exports

Goods & Services Exports

£37bn  £46bn  24% higher

Creative Service Exports

£22bn  £31bn  41% higher

Digital Creative Service Exports

£15bn  £21bn  40% higher

THE TRUE VALUE OF CREATIVE INDUSTRIES DIGITAL EXPORTS
AppyNation, Leamington Spa

AppyNation is a global online developer and publisher of mobile and tablet games

AppyNation is run by a team of 11 people based in Leamington Spa and London. Their puzzle games are completely digital and available only on the App Store, Amazon and Google Play platforms.

Games are free to download and revenue is generated through in App purchases (IAP). IAP revenues for 2017/2018 will be £5m and revenues are growing at 50% per annum. 79.5% of IAP revenues are non-UK sales, expected to rise to 90% by 2020.

Advertising revenues also contribute – making up 34% of total revenue. AppyNation work with six to eight ad networks that sell full screen ads into their games on a real-time bidding basis. Advertising buyers bid on an impression and if the bid is won the buyer’s ad is instantly displayed on a puzzle’s loading page.

Jamie Coleman, Founder and Chair of Codebase, Edinburgh

“Our biggest business success at Codebase is exporting our creativity in the form of digital products. Those who best serve the growing global demand for content via highly differentiated user experiences will have the best business advantage. And with the growing risk of automation, it is becoming clear to us the future of export growth is in digitally harnessing the UK’s creative brain–power to delight customers across the planet.”

* “Digital intensity” is established by taking into account the % of business activity which is digital. This data was collected from a Creative Industries Federation survey.
Havas UK, London

Havas is a multinational advertising and public relations company. Havas UK offers a range of services that are digitally exported across the world. This includes digital product and service design, digital media planning and buying, and data driven marketing.

Havas launched ‘Keep the World Moving’ for Voltaren – the world’s second biggest painkiller and a GlaxoSmithKline (GSK) brand. Havas set up a series of Digital Accelerator Workshops across 6 key markets to gather customer experience and data to inform the campaign.

The team then launched targeted, personalised content for Voltaren in its 135 markets to drive sales and brand penetration.

Havas’ digital exports are growing rapidly as a result of the ever-changing nature of the digital world and are worth £60m. The majority of their work either reaches global customers or uses global platforms. Most of their clients are global or have a global reach in mind.

New technologies are driving radical change in culture and business, and marketing is undergoing a modernisation. The world is one of message overload and Havas’s own global study demonstrates that 74% of brands are considered ‘meaningless’ and could disappear overnight. Ad–free premium offers such as Netflix are on the rise and edging brands out. However, expectation is for brands to play a more ‘meaningful’ role in people’s lives, which requires delivering the right experiences to the right people at the right time through entertainment, social, solutions and education. And digital is an integral part of every one of these experiences and has become the ‘glue’ that helps brands connect all the dots.
Bait Studio, Cardiff

Bait Studio is a VFX studio based in Cardiff Bay and has a sister animation company.

The animation industry is project based, so exports can vary year on year. Currently, at Bait’s sister company Cloth Cat Animation, they have a commission called Luo Bao Bei from Chinese media company Magic Mall which is now being sold throughout the world. Last year 50% of turnover was via digital exports; this year it is likely to be 70% and rising.

The increase in digital viewing by consumers has seen the biggest growth in countries like China, a nation without a longstanding tradition of children’s and young adult programming. The demand for animation is growing and the UK is ideally placed to offer quality ideas that appeal to a wide audience. Today, nearly all of Bait’s exports are digital in some way, due to the changing face of broadcasting. From their base in Cardiff, they’re able to deliver files around the world instantly – a huge change from several years ago when series were delivered on bulky tape.

Going forward, Bait expect to see a greater increase, not only in series exports but also extending brands onto interactive and social media platforms.

Paul Appleby, Director, Bristol Media

“The Bristol region has a global profile in high-quality factual content through the likes of the BBC’s Blue Planet, Icon Films’ River Monsters and John Downer Productions’ Spy In the Wild – produced by a ten-person company. The region is also home to highly successful animation studios such as Aardman Animations, and the global distribution offered by StudioCanal, BBC Worldwide, Getty Images and Netflix have provided a clear opportunity for these companies. These product exports line up alongside the rich ecology of Bristol Media’s design, advertising, digital experiences and creative service members. These companies make up a local network which is utilised to export across the globe – notably in the USA, Asia and of course Europe.”
Hachette UK, London

Hachette UK is a leading UK trading publishing group

The Hachette UK Group is the UK’s leading digital publisher, with more than 60,000 products across ebooks, audiobooks, apps, games and educational resources. International sales of these products were worth over £25 million in 2017, this is more than 40% of Hachette UK’s total digital turnover. Hachette UK products are sold in over 190 countries and territories, through over 60 retailers ranging from local bookshops to international ecommerce websites, and in nearly two dozen currencies.

Hachette UK’s Deputy Group CEO Richard Kitson comments, “Digital allows us to reach consumers around the world, including in fast growth markets such as Asia. With over 40% of the world population having access to a smartphone, our authors’ work is always available to billions of potential readers. International sales have made a huge contribution to our position as the number one digital publisher in the UK, and will be a significant driver of Hachette UK’s future growth.”
Giselle, English National Ballet, Nationwide

English National Ballet is a classical ballet company based in London.

English National Ballet (ENB), along with its collaborators and co-producers Akram Khan, Manchester International Festival and Sadler’s Wells, set out to create a unique event that would impact beyond the dance community and beyond London.

Akram Khan’s Giselle will be digitally released in cinemas for the first time from 25 April 2018, thanks to a collaboration between ENB and digital commissioning agency The Space. The initial focus has been to sell into cinemas in the UK, and to date 134 cinemas will be showing the film. The distributor is now turning their focus to the US and the rest of the world. This effort has only just begun, but there are confirmed screenings in Germany, Malta, Cyprus, and the USA.

Through the support of an Exceptional Grant from Arts Council England, ENB also created an enhanced digital campaign, at the heart of which was a bespoke microsite giselle.ballet.org.uk which has received over 485,000 page views since its launch in May 2016. This microsite includes rehearsal images and a short film series on the creative process, which had over 7.9 million video views. The Giselle pages on ENB’s main site ballet.org.uk have had an additional 141,962 page views. Website and microsite viewers include:

- 9,710 views from the US
- 3,511 views from Spain
- 3,193 views from France
- Others include Japan, New Zealand and Germany.
Elmwood, Leeds

Elmwood is a brand design and brand experience agency.

In 2017 they worked with Walmart-owned US retailer Jet.com on a fully digital-first design for its brand new private label Uniquely J.

Uniquely J is a new challenger in the rapidly emerging e-commerce private label market. Elmwood delivered to Jet.com the strategic brand strategy, naming and creative execution of the Uniquely J brand experience. This included the creation of an online shopping environment and visual brand language which caters to the shopping behaviour of a connected, urban millennial audience.

Elmwood aimed to create a better online shopping experience by injecting more fun into ordering groceries online. Elmwood’s design has a playful style aimed at delivering shareable moments online and offline throughout the consumer journey. This project took online grocery shopping beyond the functional by thinking instead about how to amplify the product, brand and brand experience in an e-commerce environment.

The project team included nine Elmwood employees and seven freelance illustrators from UK, Australia and USA.

As consumers have become more digitally connected, so have Elmwood. In February 2018 they announced their acquisition of Framework Creative, a digital design agency specialised in augmented and virtual reality.

* Cebr estimated official figures currently value exports of design goods as £0, due to disclosure checks, and services as £346m. The goods statistics therefore do not currently reflect the reality of the design and designer fashion sector in which there is significant goods exported.
The total number of services exported by the craft sector could be potentially higher because official figures may not take into account non-digital service exports. Cebr’s estimated figure only covers digital exports.

The total number of services exported by the museum, galleries and libraries sector could be potentially higher because official figures may not take into account non-digital service exports. Cebr’s estimated figure only covers digital exports.

The total number of services exported by the architecture sector could be potentially higher because official figures may not take into account non-digital service exports. Cebr’s estimated figure only covers digital exports.
CONCLUSION

The creative industries are central to the UK’s trading future and global ambitions. However, up until now, published figures may not have fully captured the extent to which new digital technologies are changing the way the creative industries export services.

This research highlights that the creative industries are exporting a far more significant range and volume of digital services than previously thought. It outlines a methodology, tailored to the nature of the creative sector, that more comprehensively captures the extent of creative digital exports by incorporating “hard to measure” trade flows.

APPENDIX

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Cebr report and methodology
Creative Industries Federation-Cebr Survey

March 2018

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